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May 2026

Selling Your Business to Retire? Get This Tax Relief!

"A small business is an amazing way to serve and leave an impact on the world you live in." (Nicole Snow)

Small business owners looking to sell their business or interest in a business as part of their retirement planning will be glad to know that meaningful tax relief has been provided for them in the 2026 National Budget.

Among other measures to support businesses, National Treasury raised the capital gains tax exemption for the sale of a small business for older persons (55+) from R1.8 million to R2.7 million, a long-overdue adjustment for inflation and rising asset values.

The higher exemption also applies to more businesses than it did before. Where small businesses used to be defined as those valued at R10 million or less, the limit has been increased to R15 million.

Do I qualify?

First check if you meet the bare minimum requirements:

- The exemption applies to individuals aged 55 or older.
- The exemption applies when disposing of a small business with a market value not exceeding R15 million.
- The market value of all assets, regardless of their nature, must be considered in determining whether the R15 million threshold is exceeded or not.
- Liabilities of the business are ignored for this determination.
- For partnerships or companies, the R15 million threshold applies to the total assets of the business, not each partner or shareholder's fractional interest. This means a two-partner business with R20 million in assets will not qualify, even if each partner's share is only R10 million.
- The lifetime CGT exemption is capped at R2.7 million in total across all disposals.
- Each asset must have been held continuously for at least 5 years prior to disposal and the individual that qualifies for the relief had been substantially involved in the operations of the business of that small business during this period.
- The relief must be determined on an asset-by-asset basis.

Given the complexity of this determination and SARS' requirement that relief must be determined on an asset-by-asset basis, professional tax assistance is highly recommended.

How could it benefit you?

Many small business owners rely on the eventual sale of their business as their primary retirement asset.

This tax relief can support succession planning, intergenerational transfers, and smart business exits, particularly for family-owned businesses. It encourages the sale of businesses, effectively unlocking capital and allowing for business continuity or reinvestment into the economy.

Of course, the additional tax-free capital gain will also meaningfully boost your retirement security after years of building a business.

If you're considering retiring or selling soon, it's worth reviewing your timing with a tax advisor. We can assist you in reviewing your business valuation, assessing your CGT exposure and structure and timing your exit correctly to make the most of this meaningful tax exemption.

The 40% Rule: Do You Have Too Many Eggs in One Basket?

> ***"Don't put all your eggs in one basket." (Idiom)***

Most founders track revenue growth. Fewer track where that revenue comes from. Client concentration risk arises when a single customer, or a small cluster of customers, accounts for a disproportionate share of revenue. In some industries it can be natural to have larger customers, especially in business-to-business markets with long-term contracts. But as dependency grows, revenue becomes fragile in ways that aren't obvious from top-line growth figures.

Having many of your eggs in one basket exposes you to sudden revenue shocks if a key client reduces orders, delays payment, or – horror of horrors – ends the relationship. The "40% Rule" is a practical red flag used by bankers, acquirers, and investors: if a small group of clients contribute 40% or more of total revenue, the business carries material concentration risk.

This article unpacks why 40% matters, how it influences due diligence, and what business owners can do to reduce exposure without destabilising current income.

Why the 40% threshold matters

The "40% Rule" is not an ironclad regulation, but a pragmatic benchmark widely used in finance, banking, and valuation circles. When one or two clients account for around 40% or more of revenue, credit committees, acquirers, and investors often treat it as a material concentration risk. Above this level, the loss of a single account can eliminate a large portion of expected cash flow, put pressure on fixed costs, and lead to breaches of debt covenants.

If you pass the 40% mark, lenders may become cautious or impose stricter terms on financing. This makes sense, as your ability to pay them back is contingent on a relationship they cannot control.

How concentration risk affects business finances

The financial impact of client concentration extends beyond headline revenue figures. Concentrated revenue makes cash flow volatile and forecasting uncertain. One delayed payment or unexpected order reduction from a large client can create immediate cash flow problems, especially where fixed costs such as payroll and rent are significant. Beyond the risk issues, a dominant client can also gain leverage in pricing and contract negotiations, which can erode margins quietly over time.

The strategic and operational side of concentration

This risk can go beyond the pure financials. When one client drives a large share of revenue, internal and external decisions can begin to revolve around that relationship. Product development may align too closely with the needs of your largest client, diverting focus from broader market requirements. Marketing and sales efforts can end up prioritising retention of that client at the expense of diversifying the portfolio.

Market valuation and exit implications

For owners considering a sale or seeking external capital, client concentration can have a significant effect on valuation. Buyers and investors seek predictable, diversified revenue streams. A company with a single client contributing a large share of its revenue is often seen as riskier.

The 40% threshold often becomes a pivot point in negotiations. Buyers may discount offers or tie price adjustments to post-acquisition retention of key clients. Similarly, lenders pricing credit facilities take concentration into account. Companies with high concentration may face higher interest rates, tighter covenants, or requirements for collateral. In extreme cases, banks may refuse financing until concentration metrics improve.

Managing and reducing concentration risk

Addressing concentration risk starts with measurement. Your accountant can help you calculate the percentage of revenue each client contributes, as well as the combined share of the top five clients. Monitoring trends over multiple quarters helps identify whether concentration is rising as a natural business outcome or creeping up unnoticed.

Strategic actions to reduce concentration are most effective when pursued deliberately and gradually. This could involve targeted business development efforts to land new clients, segment diversification to broaden revenue sources, or pricing strategies that balance revenue concentration without sacrificing profitability. Diversification need not diminish the value of large clients. It's about strengthening the overall revenue base so that losing any one account does not destabilise the organisation.

Final thoughts

Client concentration risk is a silent strategic threat that often hides behind strong revenue figures. Reaching the 40% threshold can transform a seemingly healthy business into one that is vulnerable to external decisions and internal inertia.

"Invisible Work": 3 Labour-Intensive Things Customers Will Never Pay For

> ***"There is nothing so useless as doing efficiently that which should not be done at all." (Peter Drucker, Author of "The Effective***

Executive", 1966)

"Invisible work" is the non-value-added tasks that act as a hidden tax on your profit and growth. It is the friction within your business that consumes overheads, mental energy, and time, yet remains entirely imperceptible to your clients. This work is dangerous because at times it can feel like accomplishment, despite being the exact opposite for your bottom line.

While you might feel a sense of control after colour-coding a spreadsheet or reorganising a filing system, these activities often provide a false sense of security. They allow you to avoid the harder, more vulnerable work of selling and innovating. To scale effectively, you must ruthlessly audit where your hours go. If a customer wouldn't pay an extra rand for the specific task you're performing, it's likely a drain on your business rather than a pillar of it.

1. Administrative labyrinth

Administrative overhead is a silent killer of momentum. Small business owners often get lost in a maze of excessive record-keeping and non-essential paperwork. While a certain level of documentation is necessary for legal compliance and basic order, many entrepreneurs often confuse being busy with being productive.

For example, these days it's possible to create complex tracking systems for data that is never actually analysed and file reports that no one reads. This administrative labyrinth creates a drag on the business. Every hour you spend navigating self-imposed red tape is an hour lost to high-level strategy or direct customer acquisition. Make sure you review your administrative systems periodically with an eye to eliminating unnecessary tasks and driving simplification. Rather focus on the metrics that actually deliver growth.

2. The over-servicing illusion

There is a pervasive myth that "going the extra mile" is always beneficial. However, in the world of profitability, over-servicing is an illusion of quality that often leads to margin erosion. Wasting time on extras that customers don't actually value, care about or pay for is pretty pointless.

As Michael E. Gerber points out, "The product is what your customer feels as he walks out of your business." If the customer does not feel or acknowledge the value of your extra effort, you are effectively paying to work. Trust is built on delivering what was promised consistently, not on adding unrequested flourishes that increase your workload without increasing your price point.

If you are struggling to isolate these points in your service, your accountant can help by drawing up a document indicating the costs aligned to each service you offer and give you advice as to which areas may not be delivering on their effort.

3. Communication clutter

Internal communication has become invisible work's most socially accepted disguise. Endless Slack threads debating terminology, reply-all email chains seeking "alignment", and recurring status meetings that produce no decisions may all feel collaborative but rarely generate customer-facing results.

Research consistently shows that knowledge workers spend a disproportionate share of the workday on internal coordination rather than value creation. For small business owners, this cost is amplified: every hour spent managing internal noise is an hour stolen from selling, building, or serving. It's vital that you ruthlessly audit your communication habits. If a meeting or message thread doesn't move a deliverable forward, get rid of it.

Reclaiming your time

To break free from the trap of invisible work, you must pivot your focus toward high-value tasks: sales, strategy, and direct customer engagement. This requires the courage to stop doing the low-value tasks that have become your comfort zone.

As the father of modern management, Peter Drucker, emphasized, the focus must first be on doing the right things, and then on doing them well. Reclaiming your time means learning to say no.

Annual Employer Tax Recon Due End May

> ***"Only accountants can save the world — through peace, goodwill, and reconciliations." (Unknown)***

Employers are legally required to submit their EMP501 reconciliation with accurate and up-to-date payroll and tax information (including valid Income Tax Reference Numbers) for their employees during the Employer Annual Declaration season that runs from 1 April to end May 2026.

This involves submitting an accurate Employer Reconciliation Declaration (EMP501), issuing Employee Tax Certificates [IRP5/IT3(a)s] and, if applicable, a Tax Certificate Cancellation Declaration (EMP601).

The submission must further balance across the three elements: monthly EMP201 returns for the period, the payments made to SARS, and the employees' IRP5/IT3(a)s generated. As such, it provides an important opportunity to correct any errors that may have occurred during the year.

Preparing and submitting a correct and complete declaration on time can be technically challenging, especially for larger employers. But you neglect it at your peril, as it is a focus area for SARS and the consequences of non-compliance are many.

SARS focus area

The Annual Employer Reconciliation Declarations is a focus area for SARS, as it not only ensures employer compliance, but also enables SARS to issue individual taxpayers with pre-populated Income Tax Returns (ITR12) and income tax auto-assessments.

For this reason, employers can expect ongoing and increased scrutiny from SARS in this regard.

Technical challenges

Submitting a declaration that is correct, complete and on time (before end May) has always been technically challenging. But it just got even harder, as SARS has now upgraded missing or incorrect mandatory Income Tax Reference Numbers from a warning-level defect into a hard-stop submission defect when completing a declaration.

This means that employee details must be verified before submission and employees without tax numbers must be registered with SARS *before* the company EMP501 can be submitted. Missing or invalid employee tax numbers result in incomplete submissions that will prevent IRP5 certificates from being captured, causing delays and non-compliance for the company and all employees.

Because so many employers struggle with technical challenges like these, SARS is rolling out technical clinics this year to make compliance easier. Or you could just let us handle it for you.

Consequences of non-compliance

Submitting incorrect or incomplete details, or submitting after the deadline, can result in:

- Additional admin, time and cost
- Employer penalties
- Delays in obtaining an employer's tax compliance status
- Unexpected tax outcomes for employees

In addition, if the EMP501 submitted is audited by SARS and PAYE liability is amended, the employer is required to re-submit the EMP501 as per the audit result.

Expert assistance is at hand

As the deadline looms, employers can be assured of technical challenges, increased SARS scrutiny, and even more tax-related admin and cost. All very good reasons to rely on our tax expertise and experience to ensure you submit correctly and on time.

Your Tax Deadlines for May 2026

- 07 May – PAYE submissions and payments
- 25 May – VAT manual submissions and payments
- 28 May – Excise duty payments
- 29 May – VAT electronic submissions and payments and CIT Provisional Tax payments where applicable.

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